

# Capital Markets Snapshot

September 21<sup>st</sup> to October 2<sup>nd</sup>, 2020

## U.S. Economy

- Nonfarm payrolls grew by 661,000 in September, but the magnitude of payroll recovery slowed for the third consecutive month. Since the contraction of roughly 22.2 million jobs in March and April, payrolls have recovered by 11.4 million jobs, or 52%.
- The unemployment rate fell from 8.4% to 7.9%, while the labor force participation rate unexpectedly sunk from 61.7% to 61.4%.
- The Conference Board's Consumer Confidence indicator improved from 84.8 to 101.8 in September (exp. 90.0), after falling in each of the prior two months. Consumers expressed more confidence in their shorter-term financial and labor market prospects.

## TOTAL NON-FARM EMPLOYEES (MILLIONS)



Source: Bureau of Labor Statistics, as of 9/30/20

## U.S. Markets

- Large-cap U.S. equities (S&P 500 Index +0.9%) outpaced small-cap equities (Russell 2000 Index +0.2%) over the prior two weeks and extended their year-to-date outperformance to 11.9%.
- The tech-heavy NASDAQ Composite returned 2.6%, shaving away some of its losses from earlier in September. The outsized recovery in mega-cap tech led the S&P 500 Index (+0.9%) to materially outperform the S&P 500 Equal-Weighted Index (-0.4%).
- The spread between the 30-year and 10-year Treasury yields expanded 3 bps to 0.78%, and CFTC data indicated increased appetite for reflation trades hinged on a steeper yield curve.

## 30-10 U.S. TREASURY YIELD TERM SPREAD

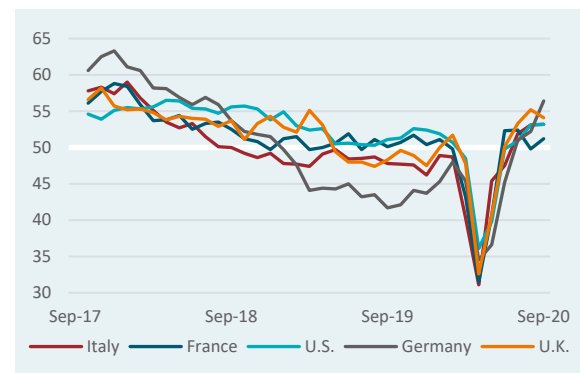


Source: Bloomberg, as of 10/2/20

## International Economy

- Preliminary PMI data from Markit indicated that French manufacturing sector activity returned to expansion in September. It is worth noting that while growth in manufacturing sector activity has reached pre-pandemic levels, total output has not.
- Talks between the U.K. and the E.U. regarding the Withdrawal Agreement failed to yield a compromise on key issues including fishing rights and state aid. If no deal is reached by year-end, Britain will leave the E.U.'s single market without a trade deal.
- U.K. consumer credit expanded by £300 million in August, but year-over-year credit growth fell to -3.9%, the lowest ever (1994).

## MANUFACTURING PMIs

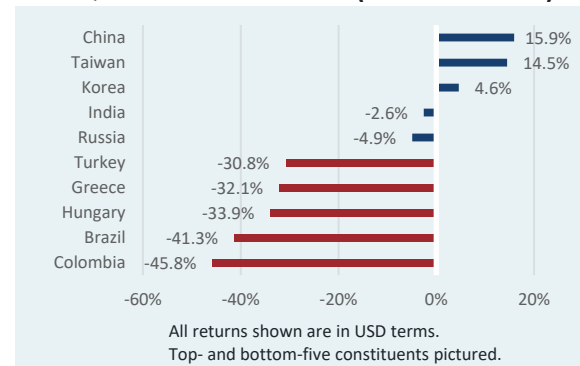


Source: Markit, as of 9/30/20

## International Markets

- U.S. equities added 0.9% over the period, while the global benchmark (MSCI ACWI) declined -0.4%. Emerging market equities (MSCI EM -2.3%) fared slightly better than international developed equities (MSCI EAFE -2.7%) in U.S. dollar terms.
- Unhedged U.S. investors in the Latin American segment of the EM complex faced significant currency headwinds as the U.S. dollar strengthened versus the Brazilian real (-5.1%), Chilean peso (-3.5%), and Mexican peso (-2.2%).
- Pro-growth commodities took a step back on refreshed fears of a tightening of restrictions globally. Brent crude oil dipped -9.7%.

## EM EQUITY PERFORMANCE (YEAR-TO-DATE)



Source: MSCI, Bloomberg, as of 10/2/20



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## MARKET PERFORMANCE

### Equities

	Last Two Weeks 9/21/2020 - 10/2/2020		September		Q3 2020		YTD	
	Return	Std Dev	Return	Std Dev	Return	Std Dev	Return	Std Dev
S&P 500 TR USD	0.92	20.69	-3.80	24.69	8.93	16.90	5.13	38.54
Russell 2000 TR USD	0.23	30.06	-3.34	26.77	4.93	21.59	-6.76	47.16
MSCI ACWI NR USD	-0.41	16.57	-3.22	18.15	8.13	13.39	1.20	30.88
MSCI EAFE NR USD	-2.74	19.58	-2.60	15.62	4.80	14.49	-7.08	26.36
MSCI EM NR USD	-2.31	15.90	-1.60	15.07	9.56	17.25	-1.15	26.58

### Fixed Income

Barclays US Treasury US TIPS TR USD	0.04	2.43	-0.37	2.79	3.03	3.13	9.14	8.20
Barclays US Treasury TR USD	-0.06	1.89	0.14	3.41	0.17	3.16	8.75	6.78
Barclays Long Term US Treasury TR USD	-0.34	6.59	0.38	11.68	0.12	11.14	20.77	21.86
Barclays US Agg Bond TR USD	-0.18	1.21	-0.05	2.66	0.62	2.43	6.74	5.18
Barclays US Credit TR USD	-0.58	2.32	-0.27	4.21	1.50	3.82	6.40	8.69
Barclays High Yield Corporate TR USD	-0.65	4.91	-1.03	3.62	4.60	3.53	0.78	11.89
JPM EMBI Global Diversified TR USD	-1.73	6.06	-1.85	5.96	2.32	4.79	-0.41	13.63

### Other

Bloomberg Commodity TR USD	-4.33	14.48	-3.35	12.60	9.07	11.95	-13.39	18.06
Wilshire US REIT TR USD	3.34	34.16	-3.37	27.01	1.25	21.88	-12.97	47.87
MSCI Currency Factor Mix ER USD	0.24	1.24	0.26	1.90	-0.64	1.88	-1.14	3.29

Source: Morningstar, Data as of last available market close, Top/bottom two highlighted.

## ECONOMIC DATA - RELEASED

Date	Country	Event	Freq	Period	Surv(M)	Actual	Surprise
09/22/20	US	Richmond Fed Manufact. Index	M	Sep	12	21	4.5
09/24/20	GE	Ifo Expectations	M	Sep	98.0	97.7	-0.4
09/29/20	US	Advance Goods Trade Balance	M	Aug	-\$81.8b	-\$82.9b	-0.4
09/29/20	US	Conf. Board Consumer Confidence	M	Sep	90.0	101.8	4.1
10/01/20	EC	Markit Eurozone Manufacturing PMI	M	Sep F	53.7	53.7	0.0
10/01/20	EC	Unemployment Rate	M	Aug	8.1%	8.1%	0.0
10/01/20	US	Personal Spending	M	Aug	0.8%	1.0%	0.5
10/01/20	US	Markit US Manufacturing PMI	M	Sep F	53.5	53.2	-0.6
10/01/20	US	ISM Manufacturing	M	Sep	56.5	55.4	-1.3
10/02/20	US	Change in Nonfarm Payrolls	M	Sep	859k	661k	-0.8
10/02/20	US	Unemployment Rate	M	Sep	8.2%	7.9%	-1.3
10/02/20	US	Labor Force Participation Rate	M	Sep	61.9%	61.4%	-5.0
10/02/20	US	Underemployment Rate	M	Sep	--	12.8%	--
10/05/20	EC	Markit Eurozone Services PMI	M	Sep F	47.6	48.0	2.8
10/05/20	US	Markit US Services PMI	M	Sep F	54.6	54.6	0.0

## ECONOMIC DATA - NEXT TWO WEEKS

Date	Country	Event	Freq	Period	Prior	Surv(M)	Std Dev
10/05/20	IT	Markit Italy Composite PMI	M	Sep	49.5	49.2	0.8
10/05/20	EC	Sentix Investor Confidence	M	Oct	-8.0	-9.3	6.5
10/05/20	EC	Retail Sales YoY	M	Aug	0.4%	2.2%	1.1
10/05/20	US	ISM Services Index	M	Sep	56.9	56.2	0.8
10/05/20	GE	Factory Orders WDA YoY	M	Aug	-7.3%	-3.8%	2.4
10/07/20	UK	House Price Index YoY	M	Jul	3.4%	3.6%	0.8
10/07/20	US	Consumer Credit	M	Aug	\$12.25b	\$14.00b	3.0
10/09/20	CA	Unemployment Rate	M	Sep	10.2%	9.8%	0.4
10/13/20	US	NFIB Small Business Optimism	M	Sep	100.2	--	--
10/13/20	US	CPI Ex Food and Energy YoY	M	Sep	1.7%	1.8%	0.1
10/14/20	US	PPI Ex Food and Energy YoY	M	Sep	0.6%	--	--
10/15/20	US	Empire Manufacturing	M	Oct	17	14	0.0
10/15/20	US	Philadelphia Fed Business Outlook	M	Oct	15	15	3.0
10/16/20	US	Retail Sales Advance MoM	M	Sep	0.6%	0.7%	0.3
10/16/20	US	U. of Mich. Sentiment	M	Oct P	80.4	80.5	2.3

Source: Bloomberg



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